



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: December 16, 2005
TO: Employee Trust Funds Board
FROM: David Stella, Deputy Secretary
SUBJECT: Experience Amortization Reserve (EAR) Operational Changes

Attached is a memo from Norm Jones, consulting actuary to the Wisconsin Retirement System (WRS) which recommends to the ETF Secretary a modification of the operation of the EAR. The EAR is a reserve first created by the ETF Secretary, Gary Gates, in the mid-1980's under the authority granted in s. 40.04 (1), Wis. Stats. The EAR serves as an additional smoothing device in the development of WRS contribution rates paid by participating employers and employees. The EAR is designed to stabilize contribution rates and is in addition to the investment return smoothing provided by the Market Recognition Account (MRA).

Since the Department has the authority to create and maintain this reserve, the actuary may recommend to the ETF Secretary enhancements in the operation of the reserve. The actuary's recommendation has been accepted by the Secretary and will be applied in the development of WRS contribution rates that will be effective on January 1, 2007.

This information is being provided to the ETF Board as advisory only. No Board action is required regarding this change.

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